

Message Text

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C O N F I D E N T I A L PEKING 0525

E.O. 11652: GDS

TAGS: ECON CH

SUBJ: HUA'S GOVERNMENT WORK REPORT -- ECONOMICS:

FIRST GLIMPSES

1. SUMMARY. MEDIA REPORTS SUGGEST THAT ABOUT ONE FOURTH OF HUA KUO-FENG'S THREE AND ONE HALF HOUR GOVERNMENT WORK REPORT DELIVERED ON THE FIRST DAY OF THE 5TH NPC MEETING WAS DEVOTED TO ECONOMIC POLICY. HUA IS REPORTED TO HAVE EXPLAINED IN DETAIL THE SCHEME FOR THE "FOUR MODERNIZATIONS" PRESENTED BY CHOU EN-LAI AT PREVIOUS NPC'S AND PRESENTED FOR ADOPTION A REVISED AND SUPPLEMENTED "10 YEAR ECONOMIC PROGRAM OUTLINE." TO REALIZE THE GOALS OF THE PLAN, HUA CALLS FOR STRONG MEASURES TO DEVELOP AGRICULTURE, INDUSTRY, COMMERCE AND FOREIGN TRADE IN THAT ORDER. PLANNING AND WAGE POLICY ARE ALSO DEALT WITH. MILITARY MODERNIZATION APPEARS TO GET ONLY PERFUNCTORY MENTION. THESE PRIORITIES REFLECT THE MODERATE POLICY ORIENTATION OF THE NEW LEADERSHIP AND AUGUR WELL FOR STEADY GROWTH IN THE FUTURE. END SUMMARY.

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2. JUDGING FROM BRIEF DESCRIPTIONS AND EXCERPTS IN THE CHINESE MEDIA, ECONOMIC ISSUES TOOK UP ABOUT ONE FOURTH OF HUA KUO-FENG'S THREE AND ONE HALF HOUR GOVERNMENT WORK REPORT TO THE FIRST SESSION OF THE 5TH NPC ON FEB 26. EXCERPTS AVAILABLE IN THE CHINESE MEDIA THUS FAR ARE EXTREMELY SKETCHY AND INDICATE NO REAL SURPRISES. THE PRESENTATION OF A REVISED AND SUPPLEMENTED DRAFT OUTLINE OF A 1976-1985 ECONOMIC DEVELOPMENT PROGRAM, REVISED TO TAKE INTO ACCOUNT DAMAGE BY THE GANG OF FOUR, HAD BEEN ANNOUNCED SOME DAYS EARLIER. THE DRAFT WILL BE DISCUSSED AND APPROVED BY THE CONFERENCE.

3. HUA IS REPORTED TO HAVE SAID THAT IN ORDER TO TRANSFORM THIS PLAN INTO REALITY STRONG MEASURES MUST BE TAKEN TO (1) MOBILIZE THE WHOLE COUNTRY TO DEVELOP AGRICULTURE; (2) ACCELERATE THE DEVELOPMENT OF BASIC INDUSTRIES AND GIVE FULL PLAY TO THE LEADING ROLE OF INDUSTRY; (3) DO A GOOD JOB IN COMMERCIAL WORK AND DEVELOP FOREIGN TRADE; (4) INITIATE LABOR EMULATION CAMPAIGNS AND UNDERTAKE INCREASED TECHNICAL INNOVATION; (5) STRENGTHEN UNIFIED PLANNING AND "GIVE FULL PLAY TO BOTH CENTRAL AND LOCAL INITIATIVE" (WHICH SEEMS TO CONTAIN A CONTRADICTION); AND (6) STEADFASTLY SUPPORT THE PRINCIPLE OF "FROM EACH ACCORDING TO HIS ABILITY TO EACH ACCORDING TO HIS WORK" AND GRADUALLY IMPROVE THE PEOPLE'S LIVING STANDARD.

4. THIS LIST COMBINES PRIORITIES IN THE ECONOMIC SENSE WITH ESSENTIAL ADMINISTRATIVE TASKS, ALL OF WHICH, WE WOULD PRESUME, ARE DEALT WITH IN THE REVISED PLAN. AS EXPECTED, AGRICULTURE IS GIVEN CONFIDENTIAL

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TOP BILLING, FOLLOWED BY INDUSTRY, PARTICULARLY BASIC INDUSTRY. UNDERSCORING INCREASED EMPHASIS IN BOTH THESE SECTORS SINCE 1976, THIRD PLACE IS GIVEN TO COMMERCE (READ DOMESTIC TRADING AND ITS ADMINISTRATION) AND, SIGNIFICANTLY, FOREIGN TRADE. MODERNIZATION OF THE MILITARY -- ALTHOUGH MENTIONED IMPLICITLY UNDER THE RUBRIC OF THE "FOUR MODERNIZATIONS" AND EXPLICITLY WHEN THE REPORT TURNS TO PLA AFFAIRS -- IS NOT APPARENTLY EMPHASIZED IN THE REPORT. INDEED, MILITARY MODERNIZATION WOULD APPEAR NOW TO BE WELL DOWN ON THE LIST OR PRIORITIES WITHIN THE TEN YEAR ECONOMIC PROGRAM.

5. THE ADMINISTRATIVE ISSUES OF PLANNING AND WAGE POLICY ARE PROBABLY DEALT WITH IN SOME DETAIL. THE CALL FOR "STEADFAST SUPPORT" FOR REMUNERATION ON THE BASIS OF WORK, ALTHOUGH NOT NEW, MAY INDICATE THAT SOME DECISION ON WAGE POLICY BEYOND THE OCTOBER 1, 1977, WAGE INCREASE WAS DISCUSSED.

6. FROM WHAT WE CAN SEE OF HUA'S REPORT, IT IS HOPEFUL IN THE TONE OF ITS ECONOMICS, BUT FAIRLY SOBER IN CONTENT, FOCUSING ON SOME PROBLEM AREAS AND AVOIDING FLIGHTS FROM REALITY. THE PRIORITIES, ALTHOUGH PRESENTED ONLY IN GENERAL TERMS, ARE SOUND, AND THE IMPORTANCE OF FOREIGN TRADE TO CHINA'S DEVELOPMENT IS STATED. AT FIRST GLANCE, THE ECONOMICS OF THE 5TH NPC APPEAR TO AUGUR WELL

FOR THE FUTURE.
WOODCOCK

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